

To the Members of the California State Assembly:

I am returning Assembly Bill 1628 without my signature.

This bill imposes additional penalties on real estate escrow agents who fail to withhold taxes on behalf of the state. Current law provides the appropriate balance between those intermediaries who are obligated to withhold taxes and those who actually owe the tax.

Escrow agents are required to withhold taxes derived in a real estate transaction yet receive no compensation from the state for performing this function. This bill stiffens the penalties for failing to properly withhold and eliminates the “hold harmless” provision so that, if taxes are paid in the correct tax year, the escrow agent would still face the penalty.

For these reasons I cannot support this measure.

Sincerely,

Arnold Schwarzenegger